



# City of Matlosana



# Annual Report

2009/2010



*This 2009/10 Annual Report was produced from the Strategic Unit: PMS  
It reviews all performance related activities in accordance with the requirements of the Local Government:  
Municipal Systems Amendment Act, 2003 (Act 44 of 2003) and the Local Government: Municipal Finance  
Management Act, 2003 (Act 56 of 2003) for the period 1 July 2009 to 30 June 2010  
Information contained in the report was provided by the various directorates.  
Every effort was made to ensure that facts are correct.*

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ONE HUNDRE

SOUTH AFRICA

100

SUID-AFRIKAANSE RESERWEBANK

SUID-AFRIKAANSE RESERWEBANK

50

SOUTH AFRICAN RESERVE BANK

AFRICAN RESERVE BANK

TWENTY R

20

20

SUID-AFRIKAANSE RESERWEBANK

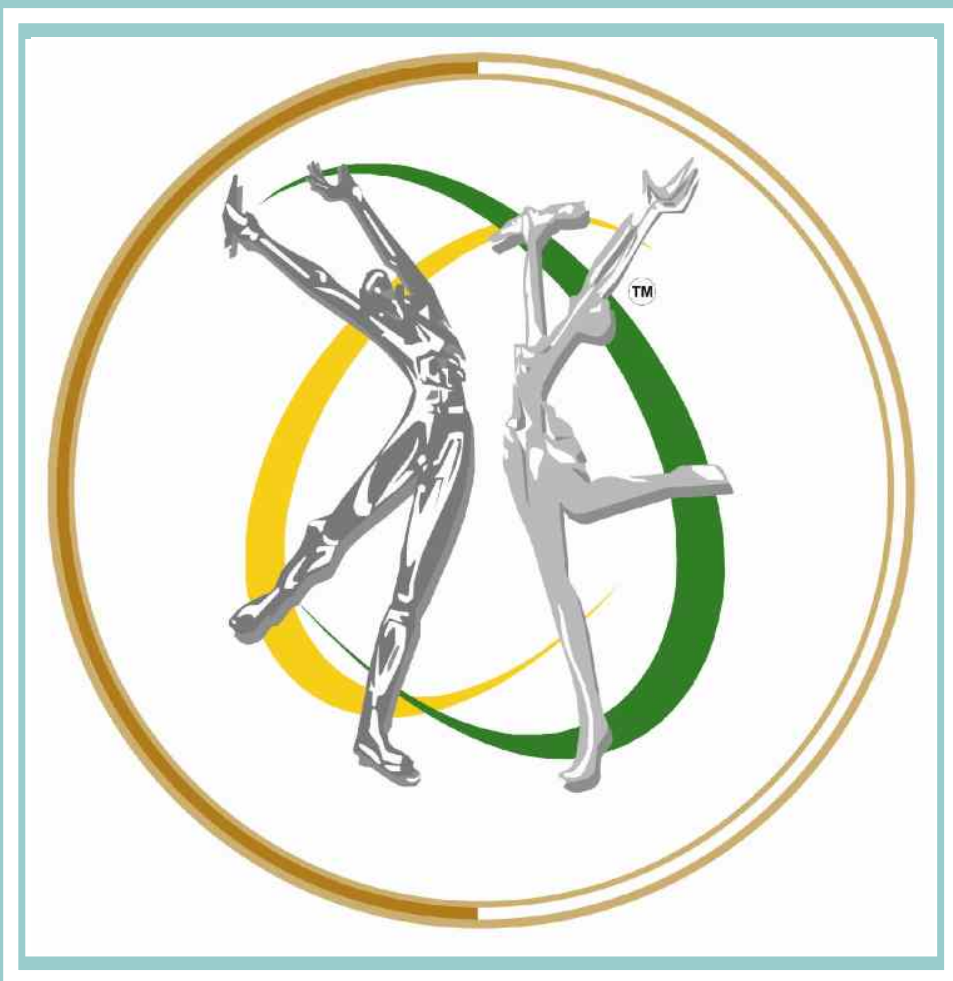
SUID-AFRIKAANSE RE

President  
Jacob Zuma



# Chapter 1

## Introduction and Overview





## FOREWORD BY THE EXECUTIVE MAYOR

Municipalities are in accordance with the Municipal Systems Act (Section 46) and the Municipal Finance Management Act (Section 88) required to report on the performance of the municipality and must submit a draft report to Council annually by latest 25 January.

The annual reports submitted by the municipalities form the baseline for the Section 47 report on the overall performance of the municipalities in South Africa. As Matlosana Municipality's councillors near the end of the office term one is proud to note that the city is on track to achieving the vision of being

amongst the leading 5 leading local municipalities by 2016, attain economic growth and prosperity as well as providing quality municipal services to our communities and business clients.



The municipality has noted that my term as Executive Mayor was the shortest term and I went out to make it very intense and compact at the same time. It has to be said that it was also very engrossing an important learning curve.

The reporting period also saw a great deal of changes and developments starting with transformation of the Department of Provincial and Local Government (DPLG) into the Co-operative Governance and Traditional Affairs (Cogta) with a drastically new mandate.

The Local Government Turnaround Strategy (LGTAS) was also introduced early in 2010. The LGTAS is a response to a cumulative studies and interventions over the last ten years since 2000 and since 2010 is a seminal year; a year of action for South Africa, we have a huge task on our hands.

What this process wants to achieve in not so many words is the removal of mediocrity from our service delivery.

Importantly; the government elected in April 2009 crafted new priorities, focus areas and outputs. As part of the Intergovernmental Relations Framework Act (IGR) all three spheres of government have to collaborate and work very closely together; and this meant a great deal of re-alignment and negotiations.

The ultimate result of this working together is encapsulated into an Integrated Development Planning (IDP). We have been guided by this strategic document which became our battle plan to reverse the legacy of old spatial planning and provide equitable services to all residents of Matlosana.

Contact sessions with communities of Matlosana during 2010, as well as the IDP Public Participation processes were an eye-opener. The municipality has to increase the frequency with small contact sessions led by Ward Councillors and Ward Committees.

Pursuant from meetings with all communities of Matlosana, concerns raised were re-prioritised and the potholes in many of our roads were tackled with much vigor and the municipality continues to monitor the situation. Infrastructural backlogs in basic services were also attended to; particularly in new extensions.

Matlosana pursued a number of major development projects that will ensure that economic growth in this city will always be sustainable.

Matlosana is also involved in other mega -projects as outlined here- under.

The biggest of these is the development is the Goudkoppie Heritage Hill 2010 Legacy Project followed by the Oppenheimer Stadium 2010 Legacy project and the Archbishop Desmond Tutu Heritage Village in Naserhof. Inputs in these projects will lift tourism products that the city offers.

The turbulence was also exacerbated by a number of external factors.

The challenge of Matlosana is in the area of dwindling mining operations and the resultant closure of a number of shafts in the Harties gold mine; these retrenchments and the continued unfortunate saga of the Aurora mine employees has a direct bearing to the economy of the city and the liquidity of the municipality.

Whilst the council has adopted a credit control and debt collection policy in terms of section 96(b) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) and section 98(1) of the said act; an incentive is needed to assist this policy in the form of an electricity distribution licence.

The Regional Electricity Distribution licence which limits the expansion of our tax base is still subject of ongoing negotiations with both Eskom and the Department of Energy. The inability of the municipality to distribute electricity to townships such as Khuma, Kanana and Tigane has a serious effect on the overall tax base of the municipality. The RED licence will be a great impetus to the debt normalisation programme of the municipality and the acceleration of infrastructural development.

The other major challenge that we have to report about is inability of the municipality to attain unqualified audit report from the Auditor-Generals' office once again. The Cogta Minister has set a target for all municipalities to attain unqualified reports by end of the 2011/12 financial year.

The municipality is making strides of streamlining our financial systems as well as a process of adherence to all financial regulatory requirements that municipalities have to fully comply with.

The municipality will also be focusing intensely on the sustainability of the environmental project against the broader ambit of equitable service delivery mandate of the municipality.



**OM MOGALE**  
EXECUTIVE MAYOR

## OVERVIEW OF ACTING MUNICIPAL MANAGER

This report should be seen as an exercise in accountability to the Council and the people of Matlosana and an endeavour to explain and quantify the municipality's developmental activities for the period under review.

An important feature trait of this report is that it mirrors, successfully the municipality's framework for development and service delivery as it is embedded in the Integrated Development Plan for the year, and that the costs and quantifications contained herein are as per the budget approved by Council.



Service delivery and infrastructural development are ongoing processes, and some of the operations as contained in this Annual Report are a continuation of activities from the previous financial year whilst some will flow into the next financial year. The municipality's progress in achieving its objectives in all five key performance areas will be outlined in this Annual Report. The Key performance areas are as follows:

- Basic service delivery and infrastructure development.
- Municipal financial viability and management.
- Municipal transformation and development.
- Local Economic development.
- Good governance and public participation.

The 2009/2010 financial year has seen the continued roll out of infrastructure projects like the:

- Upgrading of mechanical and electrical equipment of pump-stations.
- Upgrading of electrical distribution networks, water networks and waste water treatment plants.
- Paving of taxi routes and upgrading of stormwater drainage.
- Resealing of ± 32 km roads and the
- Upgrading of the PC Pelser airport runway.



A 100% of the available R 71 596 000 Municipal Infrastructure Grant (MIG) allocation was spent for the financial year, 51.25% of the municipality's capital budget R 375 705 200 was spend by the end of financial year. The municipality has spent R 70 million on free basic services.

The City of Matlosana ensured that 98% of households have access to basic water service; 100% of households have access to regular refuse removal services; 99% of households have access to basic level of sanitation and 90% of households have access to basic level of electricity.

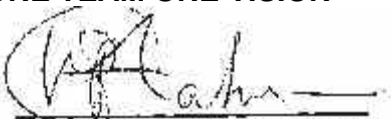
Despite the mentioned achievements, a number of challenges still persist that will be dealt in partnership with other spheres of government in the following years.

These will include the:

- Systematic dealing with integrated service delivery backlogs and ageing service delivery infrastructure.
- Effective revenue enhancement
- Obtaining an unqualified audit opinion by enhancing good governance
- Housing delivery and the development of sustainable human settlements.
- Job creation through the implementation of the Expanded Public Works Programme (EPUSP)

As the Acting Accounting Officer I would like extend my sincerest thanks to the Management Team and staff of the City of Matlosana.

## ONE TEAM ONE VISION

  
 ACTING MUNICIPAL MANAGER  
 S.G. Mabuda

# Vision and Mission





***Our Mission***

**EXCELLENCE IN CONDUCTING THE AFFAIRS OF THE CITY**

**EXCELLENCE**

**Matlosana  
Agenda 16**

**GROWTH**

THROUGH ATTRACTING  
MONEY AND STIMULATING  
ECONOMIC GROWTH

**DELIVERY**

TO ADDRESS THE  
SERVICE DELIVERY  
NEED OF OUR PEOPLE

***Our Vision***

**MATLOSANA IS A WELL RUN CITY THROUGH GOOD GOVERNANCE , WHERE**

**Matlosana  
Agenda 16**

WEALTH ATTRACTION  
ECONOMIC GROWTH

AND QUALITY MUNICIPAL  
SERVICE DELIVERY

**PLACE IT AMONGST THE 5 LEADING LOCAL MUNICIPALITIES BY 2016**



## 1. INTRODUCTION

The essential purpose of the Annual Report is neither simply to comply with legislation, nor merely to report on what was accomplished during the financial year. The Annual Report must put into context the plan and targets set for the year, and, even more critically, how the year being reported upon compares with the previous year, and what platform has been built for next year.

Given the sizable backlogs and limited resources, which municipalities have to contend with, it boils down to two inter-related questions: have you improved on your last year's performance, and, has your performance improved the lives of the people living within your municipality?

The municipality keeps to its mission of excellence in conducting the affairs of the city as per the Agenda 16, strategic document.

The 2009/10 Annual Report deals with performance highlights of the Council, performance on the national key performance indicators, backlogs on service delivery and the functional area service delivery of the City of Matlosana for the period 1 July 2009 to 30 June 2010.

## 2. MUNICIPAL OVERVIEW

### Geographic Profile

The Municipal area of Matlosana covers an area of 3,162 km<sup>2</sup> and consists of the following broad band land use categories:-

LAND USE	% COVERAGE
Commercial dry-land, commercial irrigated and semi commercial substance dry-land	25,28
Forrest / Woodland / Plantations (degraded included)	2,58
Grassland (improved, unimproved and degraded)	57,23
Thicket, bush land, scrubland and low fynbos	9,94
Urban / Built-up land (commercial, industrial, transport, residential and small holdings)	2,52
Water bodies / Wetland	0,93
Mines / Quarries	1,52

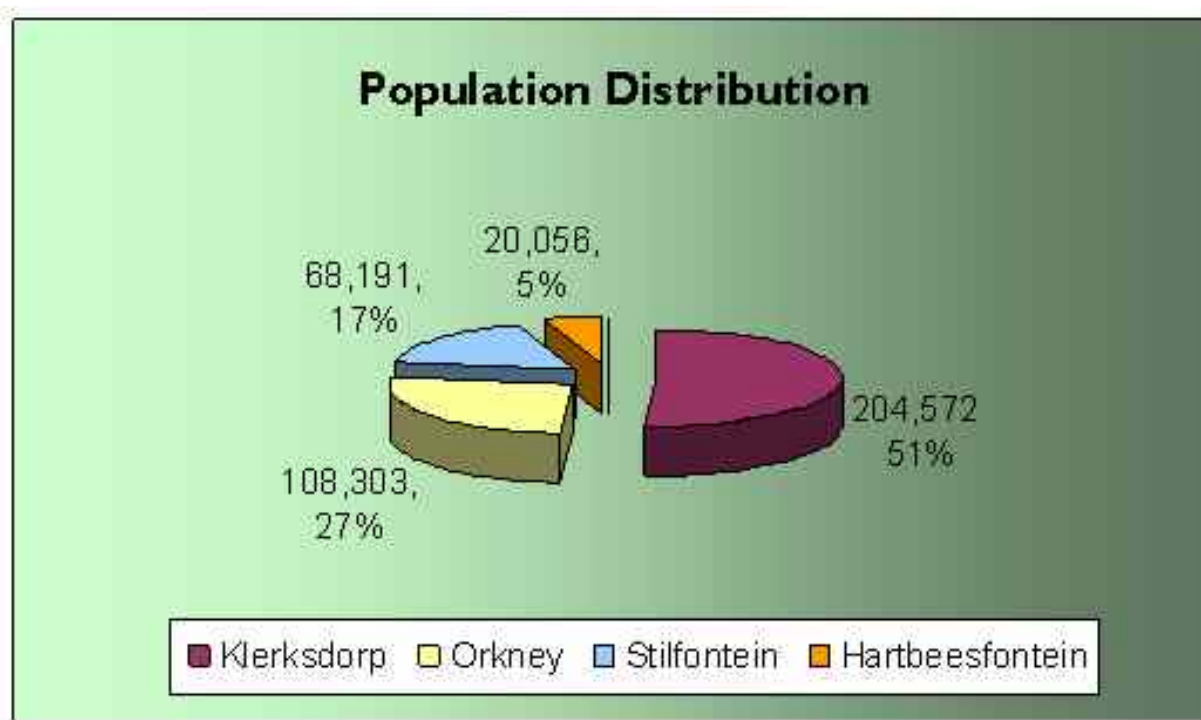
The municipal area covers the central part of the Kenneth Kaunda District municipal area and is bordered by Tlokwe (Potchefstroom) municipal area in the East; Maquassi Hills municipal area in the West; Ventersdorp Local Municipality in the North-East and the Free State province in the South. Matlosana Municipal area is also situated on the N12 Treasure Corridor (SDI) linking the municipal area with Gauteng province in the East and the Northern Cape in the South West.



### Demographic Profile

According to estimates based on STATS SA / GLOBAL INSIGHT the total population of Matlosana is estimated at 401,122 people of which 353,790 (88,2%) is urbanized and 47,332 (11,8%) are rural. The largest concentration of people in the Dr Kenneth Kaunda District Municipality is situated in the City of Matlosana (44.1%).

The current and expected urban and rural population distributions for the Matlosana area is as follows:-





# Chapter 2

## Performance Highlights







# 1. COUNCIL'S PERFORMANCE MEASURED AGAINST THE FIVE KEY PERFORMANCE AREAS (KPA's)

The municipality's progress in achieving its objectives in the five (5) Key Performance Areas is outlined in this chapter.

The following table indicates the MIG allocations per service delivery area: -

ALLOCATIONS PER SERVICE DELIVERY AREA	
SERVICE DELIVERY AREA	AMOUNT
Water	3,071,000
Sanitation	27,900,000
Roads	29,025,000
Electricity	6,000,000
Community Services	2,400,000
Local Economic Development	2,000,000
PMU Management	1,200,000
<b>TOTAL</b>	<b>71,596,000</b>



The following table indicates the Municipal Infrastructure Grant (MIG) Performance for 2009/10:-

<b>MIG PERFORMANCE</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>REVENUE</b>	<b>(R)</b>	<b>(R)</b>	<b>(R)</b>
Approved MIG allocation	131,128,497	58,530,000	71,596,000
Roll-Over from previous year	13,572,989	31,447,495	4,486,934
Actual Amount Received:	<b>131,128,497</b>	<b>89,977,495</b>	<b>76,082,934</b>
<b>EXPENDITURE</b>	<b>(R)</b>	<b>(R)</b>	<b>(R)</b>
Actual expenditure for MIG allocation for the financial year	99,678,001	55,001,298	71,596,000
% Expenditure on MIG allocation for the financial year	<b>76%</b>	<b>94%</b>	<b>100%</b>
Actual expenditure on MIG allocation, including roll-over	99,678,001	86,375,250	76,082,934
% Expenditure on MIG allocation, including roll-over	<b>69%</b>	<b>96%</b>	<b>100%</b>
Remaining of funds for the next financial year	<b>30,023,485</b>	<b>4,486,934</b>	<b>0</b>

## KPA 1: BASIC SERVICE DELIVERY

### DIRECTORATE INFRASTRUCTURE & UTILITIES

#### CIVIL ENGINEERING

##### Water

Midvaal Water Company is the water service provider for the supply of bulk water to the KOSH area, whilst the City of Matlosana, the water service authority, is responsible for the retail and distribution thereof.

The level and standard of water services for rural areas are communal standpipes at RDP standards and erven connections and water borne sanitation for urban areas.

All households in the Matlosana area qualify for the first 6 kl of water a month free of charge.

NATIONAL KEY PERFORMANCE INDICATOR	2007/08	2008/09	2009/10
The percentage of households with access to basic level of water	100%	98,53%	100%
Number of households with access to basic level of water	115,985	125,675	126,765
Number of backlogs	0	1,023*	1,845*

\* The reason for the increase in backlogs is due to the increase (mushrooming of squatters) in rural settlements in farm areas.

#### *Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Supplying bulk water for Alabama (Phase 2)	3,071,000	3,674,866	Project Completed	-
Upgrading the mechanical and electrical equipment at 11 pump-stations	8,414,660	8,677,358	Project Completed	-
Supplying bulk water (phase 1 & 2) to Khuma	10,331,020	8,503,061	To be completed by March 2011	1 <sup>st</sup> Contractor experienced problems – new contractor appointed
Refurbishing borehole in farm areas and rural schools	1,500,000	1,223,536	Project Completed	-
Supplying water from MIDVAAL reservoir to Muranti reservoir and the installing bulk services at Orkney Vaal	11,500,000	0	To be completed by March 2011	Project delayed due to design complexity





***Refurbishing borehole in  
Farm areas and rural***



***Orkney Vaal Bulk Services  
Water & Sewer Reticulation***

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Upgrading the worn-out water-network in the CBD (Phase 1)	4,745,170	1,477,347	To be completed by March 2011	1 <sup>st</sup> Contractor did not perform – new contractor appointed
Upgrading of water networks in Jouberton areas	3,000,000	2,940,001	Project Completed	-
Upgrading of water network in Khuma	2,000,000	1,929,929	Project Completed	-
Upgrading of water network in Kanana	2,000,000	1,966,577	Project Completed	-
Refurbishing of water network in Khuma Proper	895,770	895,770	Project Completed	-



***Upgrading of Water Network  
in Khuma***



***Upgrading of Water Network  
in Jouberton***

**Roads***Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Paving of taxi routes and upgrading of storm water drainage system in Jouberton (Phase 3) (5,5 km)	11,500,000	10,278,617	Project Completed	-
Paving of taxi routes and upgrading of storm water drainage system in Tigane (Phase 3) (3,072 km)	8,730,000	8,049,519	Project Completed	-
Paving of taxi routes and upgrading of storm water drainage system in Kanana (Phase 3) (3,072 km)	6,000,000	7,078,514	Project Completed	Utilized savings from above two projects

***Paving of Taxi Routes***

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Constructing a pedestrian bridge over the N12 between Alabama and Jouberton	2,512,820	23,860	Project under budgeted	Awaiting SANRAL approval
Constructing a taxi routes and installing storm water drainage in Jouberton, Kanana & Khuma	23,940,370	17,387,145	Project Completed	-
Resealing 32 km of roads in the KOSH	2,196,130	2,141,621	Project Completed	-

**Fixing of Potholes****Resealing of Roads**

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Developing of a taxi rank in Kanana	2,000,000	1,658,060	Project Completed	-
Developing of a taxi rank in Khuma	2,000,000	2,191,232	Project Completed	Utilized saving from Kanana project
Constructing a main storm water drainage in Jouberton (Phase 1) (Tirisano Road)	5,000,000	3,653,170	Project Completed	-

**Sewer**

The Council adopted the minimum level of sanitation service to be a sewer connection to each erven from water borne sewer reticulation, serving a flushing toilet system on the relevant erven.

Status of the sewer infrastructure is:-

AREA	CURRENT CAPACITY	SPARE CAPACITY
Klerksdorp	35 MI	± 15 MI
Orkney	40 MI	± 20 MI
Stilfontein	14 MI	± 8 MI
Hartbeesfontein	6 MI	0

NATIONAL KEY PERFORMANCE INDICATOR	2007/08	2008/09	2009/10
The percentage of households with access to basic level of sanitation	98%	99%	100%
Number of households with access to basic level of sanitation	113,642	115,761	115,933
Number of backlogs	2 319	200	0

*Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Increasing Hartbeesfontein WWTP (Phase 1) to the capacity of 8ml/day	8,030,900	0	Project will be implemented during 2010/2011	Project under budgeted
Upgrading Klerksdorp Inlet Works	3,000,000	982,629	Project Completed	R1,077,902 was already spent during June 2009 – amount totals R2,876,746
Upgrading of the mechanical and electrical equipment and pumpstations (phase 1)	8,000,000	3,634,454	Phase implementation	Project approved for R18,9 mil by MIG and is being implemented in phases: volume worth R15 mil in now 80% completed and volume 2 worth R4 mil is 90% completed
Upgrading sewer pump line from Circle pump-stations in Kanana to WWTP (2km)	1,800,000	1,582,605	Project Completed	-
Upgrading sewer pump line from Khuma Ext 6 pumpstations to Stilfontein WWTP (3km)	3,600,000	3,236,328	Project Completed	Additional funds approved by MIG for completion during 2010/2011
Supplying, delivering and erecting of VIP (ventilated improved pits) toilet structures on farm settlements in Matlosana	2,500,000	499,246	45% Completed	Projects scattered - Contractor progressed slow – on track
Eradicating the bucket system	4,124,190	2,428,655	85% Completed	Late appointment of 4 contractors to complete incomplete structures





*Eradicating the bucket system*

### **ELECTRICAL ENGINEERING**

Electrical capacity can be seen in the following table:-

SUBSTATION	INSTALLED CAPACITY	USED CAPACITY	RESERVE CAPACITY
Klerksdorp Main Substation	40 Mva	35 Mva	5 Mva
Doringkruin Substation*	40 Mva	39 Mva	1 Mva
Uraniaville Substation*	30 Mva	28 Mva	2 Mva
Orkney Substation	15 Mva	10 Mva	5 Mva
Stilfontein Substation	20 Mva	15 Mva	5 Mva
Hartbeesfontein Substation	10 Mva	5 Mva	5 Mva
Jouberton Main Substation	40 Mva	32 Mva	8 Mva

\* Extension to Doringkruin Substation to increase capacity with 20 Mva and Uraniaville Substation with 10 Mva are currently in progress.

Distribution areas managed by Eskom by means of a distribution license with NER are: Kanana, Khuma and Tigane.

NATIONAL KEY PERFORMANCE INDICATOR	2007/08	2008/09	2009/10
The percentage of households with access to basic level of electricity	85,7%	90%	91%
Number of households with access to basic level of electricity	-	125,000	166,900
Number of backlogs	4,807	2,234	2,813

The Eskom has a backlog of 3,258 households that do not have access to Free Basic Electricity as per our indigent data register.

50 Kwh of electricity per household per month is required to meet the minimum service standard.



### Projects

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Installing 60 new high mast lights at Kanana Extensions 5, 6, 9 & 14 (Phase 1) and Khuma Extensions 4, 5, 7, 8 & 9 (Phase 2)	6,000,000	4,173,929	Project Completed	-
Electrification of housing projects in Jouberton Ext 24	6,800,000	3,306,439	To be completed by June 2011	Late appointment of contractors



*Electrification of Housing Projects  
in Jouberton Ext 24*



*Upgrading of Electrical  
Supply*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Upgrading of the 11Kv distribution network in the northern suburbs	3,500,000	3,396,484	Project Completed	-
Increasing of electrical supply to Doringkruin (20 Mva) & Uraniaville (10 Mva) main substations at a cost of R35,269,878	35,269,878	149,720	To be completed by June 2011	Loan agreement still to be finalised

Upgrading of street lights in Khuma and on the Khuma / Stilfontein Road	795,000	337,558	Project Completed	-
Upgrading of MV network in Klerksdorp Holdings	500,000	486,642	To be completed by March 2011	Delay in tender adjudication
Upgrading of overhead LV lines in New Town	500,000	967,329	To be completed by March 2011	Delay in tender adjudication
Replacing the high mast lights in Khuma Extension 8	391,820	322,091	Project Completed	-
Upgrading the existing high mast lights in Khuma and Kanana	1,990,990	1,427,776	Project Completed	-



## DIRECTORATE MUNICIPAL & SOCIAL SERVICES

### COMMUNITY SERVICES

The municipality is responsible for refuse collection services (domestic and commercial).

Collection of refuse among households is done on a weekly basis and commercial sites on a more frequent basis.

The backlog on the number of households not receiving a refuse removal service is currently zero.

NATIONAL KEY PERFORMANCE INDICATOR	2007/08	2008/09	2009/10
The percentage of households with access to basic level of solid waste removal	99,6%	100%	100%
Number of households with access to basic level of solid waste removal	94,200	100,200	106,200
Number of backlogs	6,200	6,000	0

*Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Beautification of 3 existing cemeteries in the KOSH	500,000	480,660	Project Completed	-
Developing and equipping of 6 parks	700,000	696,990	Project Completed	-
Purchasing a heavy duty HAZMAT Command Unit	3,500,000	3,069,111	Project Completed	-
Upgrading of the runway at the PC Pelser Airport	1,800,000	1,798,784	Project Completed	-

***Upgrading of the runway at the PC Pelser Airport***

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Building and equipping 1 environmental educational centre at Faan Meintjes Nature Reserve	1,254,950	1,253,425	Project Completed	-
Planning and lay out of new regional cemetery	1,200,000	38,646	Land earmarked for cemetery not transferred and EIA in progress	EIA results awaited from province
Installing 1 book detection unit and equipment in Jouberton	200,000	162,421	Project Completed	-
Building of 1 library in Tigane	5,985,710	1,165,121	To be completed by June 2011	Construction started in January 2010 - Project in progress
Installing storm-water drainage at the museum	160,000	123,054	Project Completed	-





*Foundation Phase of Tigane Library*



*Construction of Environmental Educational Centre at Faan Meintjes Nature Reserve*

### **PUBLIC SAFETY**

#### *Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Purchasing of 8 law enforcement cameras	2,994,650	1,148,015	Project Completed	-
Purchasing 50 fire arms at a cost of R292,050	292,050	250,000	Project Completed	-
Purchasing and installation of 4 emergency generators for Fire Stations (Klerksdorp, Orkney, Stilfontein & Hartbeesfontein)	1,000,000	906,232	Project Completed	-
Purchasing emergency equipment (Rescue) at a cost of R200,000	200,000	188,006	Project Completed	-
Purchasing office equipment for the new fire stations in Hartbeesfontein and Stilfontein	200,000	196,574	Project Completed	-
Renovating and doing additions to the driver's section	1,690,000	968,374	Project Completed	-
Resurfacing the turning table at the Stilfontein testing centre at a cost R233,750	233,750	145,334	Project Completed	-
Fencing the Klerksdorp licensing offices	250,000	232,721	Project Completed	-
Fencing the Klerksdorp driver's licensing offices	120,000	110,462	Project Completed	-
Purchasing 54 two-way radio's	225,000	198,023	Project Completed	-

## KPA 2: LOCAL ECONOMIC DEVELOPMENT

### DIRECTORATE ECONOMIC GROWTH

#### LOCAL ECONOMIC DEVELOPMENT

The municipality is held accountable in respect of the National Key Performance Indicators for job creation.

NATIONAL KEY PERFORMANCE INDICATOR	2007/08	2008/09	2009/10
The number of jobs created through the municipality's Local Economic Development initiatives, including capital projects	602	819	1,012

#### *Job Creation Allocations*

LOCAL ECONOMIC DEVELOPMENT JOB CREATION				
PROJECT NAME	NO OF BENEFICIARIES	LOCATION	ACTIVITY	PROJECT VALUE
Tigane Farming	24	Tigane	Hydroponics Tunnels Broiler open land	R 5 M
Aretsosaneng Farming	12	Tigane	Tunnels open land	R 500,000
Tswaraganang Farm	12	Kafferskraal	Broiler House open land	R 1,5M
Seven Seasons Farm	8	Hartbeesfontein	Broiler Houses open land	R1M



*Tswaraganang Farm Project*



*Tigane Farming Project*



LOCAL ECONOMIC DEVELOPMENT JOB CREATION				
PROJECT NAME	NO OF BENEFICIARIES	LOCATION	ACTIVITY	PROJECT VALUE
Intando Sizwe Co-Operative	10	Orkney	Vegetables	R 500,000
Kgatontle Agric Co-Operative	10	Orkney	Vegetables	R 1,8M
Dirang Ka Natla Co-Operative	39	Golden Village Development Centre N12	Clothing	R150,000
Cyn Cal Marketing & Promotions	3	Golden Village Development Centre N12	Procurement	R250,000
TTS Embroidery	2	Golden Village Development Centre N12	Digertisation Design Embroidery	R150,000
Sewing Technical Training Institution of the North West	5	Golden Village Development Centre N12	Training Institution Industrial	R600,000
Eluthandiwene Manufacturing Co-Operative	24	Golden Village Development Centre N12	Clothing	R5,000

*Dirang Ka Natla Co-Operative**Hand Made Over-alls*

LOCAL ECONOMIC DEVELOPMENT JOB CREATION				
PROJECT NAME	NO OF BENEFICIARIES	LOCATION	ACTIVITY	PROJECT VALUE
CJR Holding	5	Golden Village Development Centre N12	Screen Printing	R150,000
Industrial Hub Co-Operatives Apex	7	Golden Village Development Centre N12	Assisting Emerging Clothing Co-Operatives Manufacturing	R3M

Kopano Sewing Project	20	Jouberton	Quilting	R150,000
Uprising textile and art craft	5	Jouberton	Various	R10,000
Hawkers Shelters	50	Klerksdorp	SMME 's Flea Markets	R2m
Mochaiketsetse Recycling	54	Klerksdorp	Recycling	R1,4M
Tigane Brick Making	22	Tigane	Brick Manufacturing	R2M

### *Projects*

As part of the LED strategy the directorate needs to impact meaningfully on economic growth, job creation and poverty alleviation. As part of the directorate's intervention the following projects were implemented.

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Building of 20 flea market shelters in Klerksdorp for entrepreneurs (Phase 1 & 2)	2,000,000	710,005	Project to be finalized during 2010/11	Late appointment of contractor
Developing the N12 West	1,000,000	0	Project to be finalized during 2010/11	Awaiting electricity increase from Eskom
Building of 10 hawker shelters in Orkney to promote SMME's	493,650	411,611	Project Completed	-
Building of 8 hawker shelters in Stilfontein to promote SMME's	141,940	141,473	Project Completed	-



*Hawker Shelters Orkney*



*Hawker Shelters Stilfontein*

**FRESH PRODUCE MARKET**

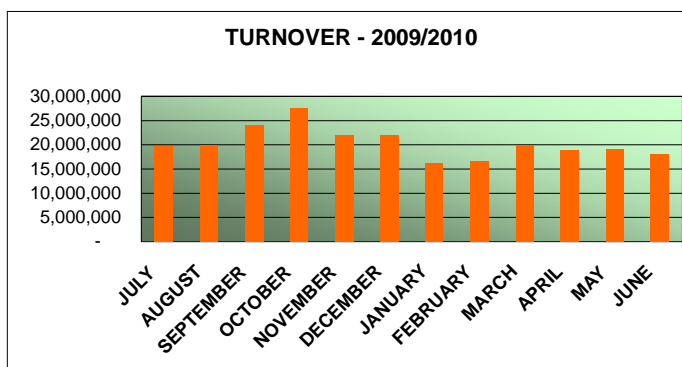
Out of the total of 19 National Fresh Produce Markets in South Africa, Klerksdorp National Fresh Produce Market was rated 9<sup>th</sup> position with a turnover of R17,695,878 at end June 2009 and closed at R18,164,784 in June 2010.

*Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Painted market hall	100,000	84,900	Project Completed	-
Replacing 4 evaporator towers in the ripening room (Market Equipment)	296,400	195,302	Project Completed	-
Repairing the market floor	100,000	62,083	Project Completed	-

***Beautification of the Market Entrance******Painted market hall*****TURNOVER.**

JULY	19,682,938
AUGUST	20,012,282
SEPTEMBER	24,005,378
OCTOBER	27,638,773
NOVEMBER	21,946,005
DECEMBER	22,065,647
JANUARY	16,170,263
FEBRUARY	16,713,328
MARCH	20,012,051
APRIL	18,828,806
MAY	19,079,449
JUNE	18,164,784
	244,319,704



### KPA 3: MUNICIPAL TRANSFORMATION & ORGANIZATIONAL DEVELOPMENT

#### SUPPLY CHAIN MANAGEMENT

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Installing 2 zipple cabinets	355,000	28,738	Cabinets Purchased	-

### KPA 4: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT

#### DIRECTORATE FINANCIAL SERVICES

The payment of rates and services of 79,52% has been currently achieved and decreased with 2,82%, due to the poor economic situation and the closure of some of the Orkney and Hartbeesfontein mines, but does remain a challenge when compared to the number of households.

NATIONAL KEY PERFORMANCE INDICATOR	PRIORITY AREA	2007/08	2008/09	2009/10
The percentage of households earning less than R2,020 per month with access to free basic services	Electricity 50Kwh and Water 6kl free	31.14%	33.90%	35%
Number of households earning less than R2,020 per month with access to free basic services	Electricity 50Kwh and Water 6kl free	37,113	38,286	39,389

NATIONAL KEY PERFORMANCE INDICATOR	PRIORITY AREA	2007/08 (R)	2008/09 (R)	2009/10 (R)
The percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipalities IDP.	Revised capital budget approved	319,054m (Revised)	293,535m (Revised)	375,705,200 (Revised)
	Total expenditure as at 30 June 2009	966,452,884 (Revised)	88,443,504	183,333,643
	% Spent	98.45%	64.20%	51.25%

The total electricity and water consumption for the Matlosana area for the past 3 financial years are as follows:-



COMSUMPTIONS	2007/08	2008/09	2009/10
Electricity purchased from ESKOM in Kwh	589,218,461 Kwh	625,499,388 Kwh	604,287,338 Kwh
Electricity purchased from ESKOM in Rand	R114,157,932	R157,743,896	R199,099,905,60
Electricity distribution losses	27,91%	35.31%	20.97%
Water purchased from Midvaal Water Company in KI	25,760,894 KI	28,504,803 KI	28,190,938 kl
Water purchased from Midvaal Water Company in Rand	R84,770,192	R102,429,319	R109,371,089
Water distribution losses	29,73%	28.50%	38.14%

NATIONAL KEY PERFORMANCE INDICATOR		RATIO
Debt Coverage Ratio	<b><math>A=(B-C) / D</math></b> Where: "A" represents debt coverage "B" represents total operating revenue received "C" represents operating grants "D" represents debt service payments (i.e. interest + redemption) due within the financial year	$A = (1,245,818,454 - 227,921,000) / 15,513,865$ <b>A = 65.61%</b>
Outstanding Service Debtors to Revenue	<b><math>A=B/C</math></b> Where: "A" represents outstanding service debtors to revenue "B" represents total outstanding service debtors "C" represents annual revenue actually received for services	$A = 695,605,300 / 1,063,925,662$ <b>A= 14.13%</b>
Cost Coverage Ratio	<b><math>A=(B+C)/D</math></b> Where: "A" represents cost coverage "B" represents all available cash at a particular time "C" represents investments "D" represents monthly fixed operating expenditure	$A = (65,745.27 + 90,590,331) / 98524464$ <b>A= 92.02%</b>

#### Projects

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Building 1 new pay point in Jouberton at a cost of R1,700,000	1,700,000	1,651,060	Project Completed	-
Installing new ICT hard / software in KOSH	4,100,000	2,827,855	Project Completed	-
Upgrading / building 1 new pay point in Jouberton	81,350	81,291	Project Completed	-
Purchasing of 1 pre-paid management server	110,000	85,033	Project Completed	-



*Upgrading / building a new pay point in Jouberton*

### KPA 5: GOOD GOVERNANCE & PUBLIC PARTICIPATION

#### DIRECTORATE CORPORATE GOVERNANCE

##### *Projects*

PROJECT	BUDGET R	EXP R	COMMENTS	REASON FOR DEVIATION
Integrating a Customer Call Centre at Klerksdorp fire station	1,000,000	939,850	Project Completed	-
Purchasing a Document Management System (DMS)	67,380	0	95% Completed	Awaiting installation of programme for Agendas & Minutes (Phase 5)
Replacing the auditorium lights	450,016	359,239	Project Completed	-
Construction and erecting a Freedom Square in	500,000	30,582	To be completed during 2010/11	Public Participation still to be done
Upgrading of the Jouberton, Kanana, Khuma & Tigane Community Halls	2,782,868	1,054,150	Project Completed	-
Ensuring accessibility for disable to building at entrance of civic centre	150,000	124,232	Project Completed	-
Replacing old switchboard at civic centre (MITEL)	700,000	699,458	Project Completed	-



## BACKLOGS AND CHALLENGES

### BACKLOGS ON SERVICE DELIVERY

The biggest challenge for Council is not to create unrealistic expectations, but to develop a medium to long term strategy to address backlogs and to ensure that the community is involved, understand and adopt the strategies.

Resources to eradicate sanitation backlogs in the short term are not sufficient, but major progress has been made in eliminating the bucket system that should be completely phased out by the end of 2010.

A program to eliminate the night soil bucket system is as follows:-

BACKLOGS	2007/08	2008/09	2009/10	2010/11
Statutory backlogs	13,568	1,904	1,583	200
Minus erven being developed	0	0	0	0
Current number of night soil buckets	13,568	1,904	1,583	151
Eradicate during financial year	11,664	3,211	1,383	151
Number of buckets at end of financial year	1,904	1,583	200	0

The following tables indicate the backlogs Council is facing regarding water, sanitation, roads, refuse and electricity:-

WATER BACKLOGS (6KI/month)	2007/08			2008/09			2009/10		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Achieved
Nr. Of Households not receiving minimum standard of service	2,554	1,398	1,398	1,398	480	375	1,023	1,023	1,023
% - Households identified as backlogs / total households in municipality	3,6	2	2	1,29	0,44	0,35	0,86	0,86	0,86
Spending on new infrastructure to eliminate backlogs ('000)	4,500	3,500	4,500	5,000	3,500	2,500	78,000	18,000	15,500
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	15,000	8,500	8,500	8,500	4,500	3,500	35,000	18,000	16,800
Total spending to eliminate backlogs (R'000)	25,000	15,000	18,000	20,000	10,000	5,000	40,000	15,000	5,000
Spending on maintenance to ensure no new backlogs created (R'000)	2,500	1,500	1,500	1,500	1,000	850	5,000	5,000	4,600
SANITATION BACKLOGS	2007/08			2008/09			2009/10		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	13,568	13,568	13,450	600	400	200	400	400	669
% - Households identified as backlogs / total households in municipality	15,51	15,51	15,38	0,55	0,37	0,18	0,34	0,34	0,56
Spending on new infrastructure to eliminate backlogs (R'000)	76,848	76,848	65,418	5,580	5,580	4,179	6,624	6,624	3,033
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	30,314	30,314	30,314	13,210	13,210	11,579	14,977	14,977	11,766
Total spending to eliminate backlogs (R'000)	107,162	107,162	95,732	18,790	18,790	15,758	15,501	15,501	8,999
Spending on maintenance to ensure no new backlogs created (R'000)	73,000	73,000	73,000	6,045	6,045	5,075	8,708	8,708	5,966

ROADS BACKLOGS	2007/08			2008/09			2009/10		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Achieved
Nr. Km not providing minimum standard of service	635	14.8	14.8	611	15	24	587	15	12,3
% - Km identified as backlogs / total km	37	0.9	0.9	57.42	2.46	3.93	53	1.35	1,12
Spending on new infrastructure to eliminate backlogs (R'000)	1,270	22,000	22,000	73,500	73,500	42,500	43,000	43,000	41,000
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	217,000	9,500	9,500	4,500	4,500	2,500	4,500	4,500	4,500
Total spending to eliminate backlogs (R'000)	218,270	31,500	31,500	77,500	77,500	29,000	37,500	37,500	37,500
Spending on maintenance to ensure no new backlogs created (R'000)	218,270	26,094	26,094	200,000	17,000	15,000	Not available	Not available	Not available
REFUSE REMOVAL BACKLOGS	2007/08			2008/09			2009/10		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
% - Households identified as backlogs / total households in municipality	6.8 88,200	6.8 94,2000	6.8 94,200	6.37 94,200	5.99 100,200	5.99 100,200	5.99 100,200	5.65 100,200	5,65 106,200
Spending on new infrastructure to eliminate backlogs (R'000)	921,000	921,000	921,000	27,000	27,000	27,000	48	48	48
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	437,000	437,000	437,000	53,200	53,200	53,200	48	48	48
Total spending to eliminate backlogs (R'000)	1,358	1,358	1,358	80	80	80	96	96	96
Spending on maintenance to ensure no new backlogs created (R'000)	0	0	0	0	0	0	0	0	0

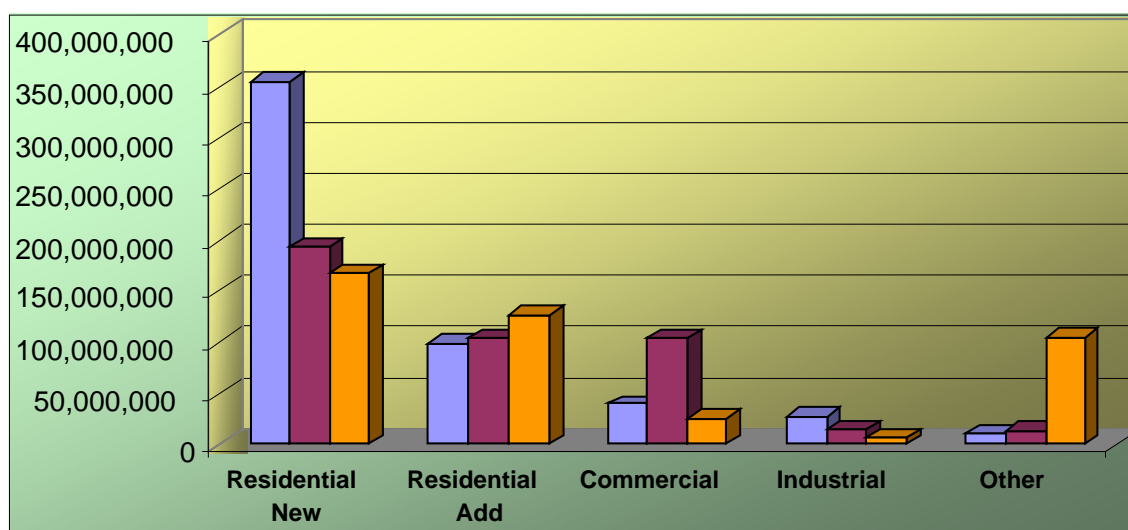
ELECTRICITY BACKLOGS (50Kwh/ month)	2007/08			2008/09			2009/10		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	16,916	16,916	1, 715	4,807	750	150	8,770	1,373	1,019
% - Households identified as backlogs / total households in municipality	18,5	18,5	1,8	4,44	0,69	0,14	7,39	1,16	0,86
Spending on new infrastructure to eliminate backlogs (R'000)	-	2,856	560	48,070	7,500	1,500	78,930	20,760	19,360
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	-	-	-	24,000	24,000	22,000	42,300	14,089	13,120
Total spending to eliminate backlogs (R'000)	-	2,856	560	72,070	31,500	23,500	93,019	34,849	32,480
Spending on maintenance to ensure no new backlogs created (R'000)	-	8,315,250	7,883,350	15,000	9,940	9,880	140,000	21, 000	29,800

**BUILDING PLANS**

The following table indicate the number of applications for building plans received for 2008/09 and 2009/10, as well as the outstanding building plan applications as on 30 June 2010:-

Building Plans	2008/2009		Applications Outstanding 30 June 2009	2009/2010	
	Applications Outstanding 30 June 2008	Applications Received 2008/2009		Applications Received 2009/2010	Applications Outstanding 30 June 2010
Residential New	20	598	28	449	64
Residential Additions	40	641	42	638	34
Commercial	42	72	11	20	6
Industrial	3	9	4	5	-1
Other	14	221	-11	250	-10
<b>TOTAL</b>	<b>119</b>	<b>1,541*</b>	<b>74</b>	<b>1,362</b>	<b>93</b>

\* Totals differ due to more than one application within one application etc. one building plan submitted for an addition, lapa and swimming pool .

**TOTAL VALUE OF APPLICATIONS IN RAND**

APPLICATION	2007/08	2008/09	2009/10
	R	R	R
Residential New	355,849,000	194,527,700	167,805,700
Residential Add	98,976,000	104,444,000	126,727,400
Commercial	39,438,000	103,758,600	24,944,300
Industrial	26,626,000	14,493,900	6,194,700
Other	10,616,000	13,410,400	105,278,200



# Chapter 3

## Human Resources and Other Organizational Management





## 1. ORGANIZATIONAL STRUCTURE

The City of Matlosana has an organizational structure which is aligned to the IDP and is reviewed from time to time to ensure operational effectiveness.

The Organizational structure has an Office of the Municipal Manager and 5 Directorates. The Office of the Municipal Manager includes the functions of Performance Management, IDP, Supply Chain Management and Internal Audit.

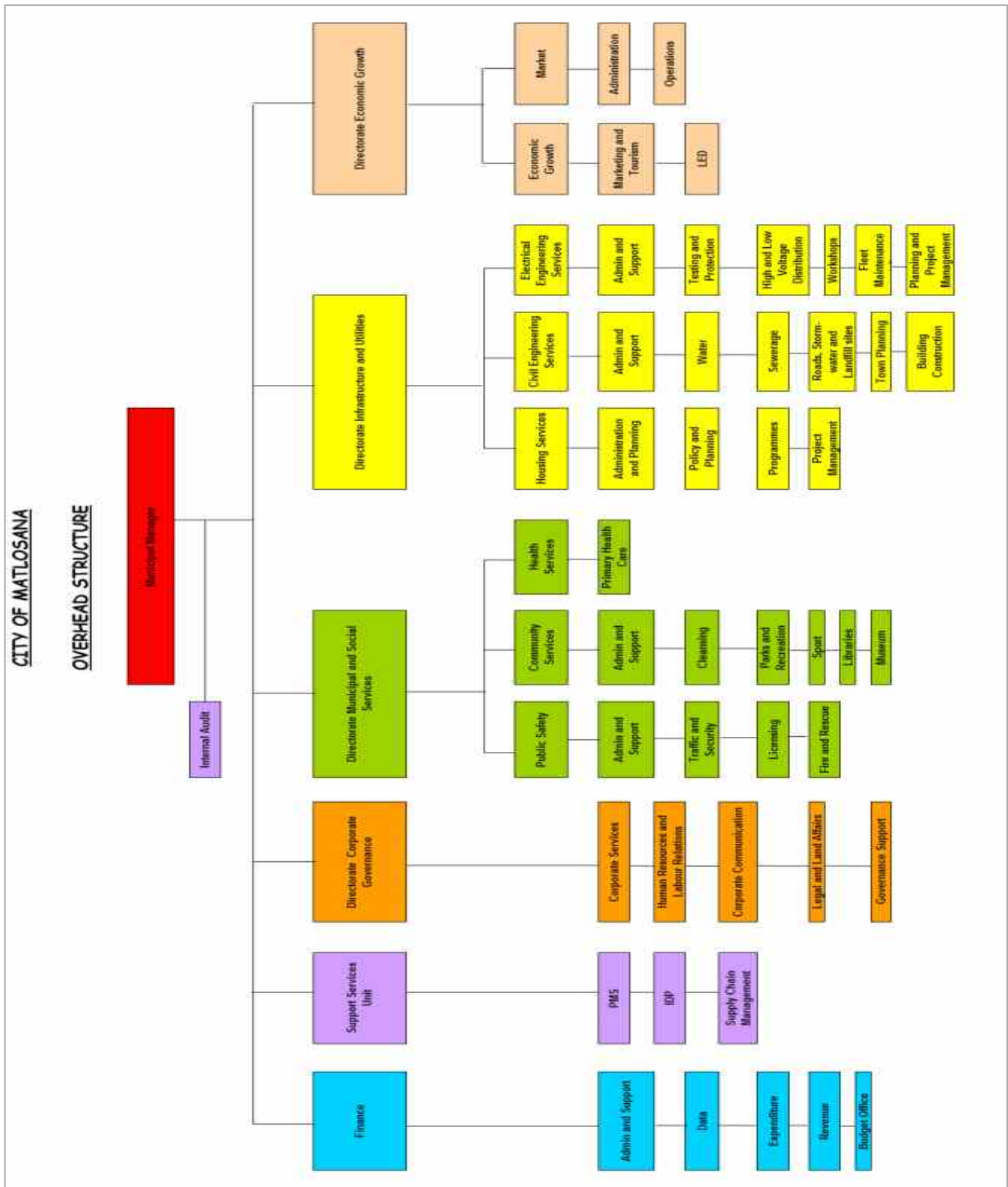
The Municipal Manager and Directors, with the exception of the Chief Financial Officer which is vacant, have all signed Performance Agreements and Employment Contracts, which have been submitted to the various stakeholders.

The following approved, filled and vacant posts existed at the end of the 2009/10 Financial Year: -

DIRECTORATE	APPROVED POSTS	FILLED POSTS	VACANT POSTS
Office of the Municipal Manager	17	12	5
Directorate Infrastructure and Utilities	1,040	644	396
Directorate Finance	247	184	63
Directorate Corporate Governance	186	146	40
Directorate Municipal and Social Services	1,541	1,063	478
Directorate Economic Growth	59	52	7
<b>TOTAL</b>	<b>3,097</b>	<b>2,106</b>	<b>991</b>

The filled positions represent 68% and the vacant positions 32% of the total approved posts, in comparison with the 63% for filled positions and 37% for vacant positions for the 2008/2009 financial year.

The approved top-level organizational structure is as follows:-



**1. STAFF & EMPLOYMENT EQUITY PROFILE**

The municipality is held accountable in respect of the National Key Performance Indicators for the Employment Equity Plan.

The tables below reflect the breakdown of staff per occupational category and gender:-

**Breakdown of staff per occupational category and gender for 2009/10:**

Occupational Categories	Male				Female				TOTAL
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	23	0	0	10	7	12	0	3	44
Professionals	37	3	1	23	17	2	0	14	97
Technicians and associate professions	34	6	0	28	14	0	0	8	90
Clerks	91	6	1	9	202	26	4	53	392
Service and sales workers	94	9	1	24	61	2	0	10	201
Skilled agricultural and fishery workers	4	0	0	4	0	0	0	0	8
Craft and related trades workers	92	11	1	19	4	0	0	0	127
Plant and machine operators & assemblers	140	3	0	3	1	0	0	0	147
Elementary occupations	807	7	1	5	178	2	0	0	1000
<b>TOTAL</b>	<b>1,322</b>	<b>45</b>	<b>5</b>	<b>125</b>	<b>484</b>	<b>33</b>	<b>4</b>	<b>88</b>	<b>2,106</b>
<b>Non-Permanent Employees</b>	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>1,322</b>	<b>45</b>	<b>5</b>	<b>125</b>	<b>484</b>	<b>33</b>	<b>4</b>	<b>88</b>	<b>2,106</b>

The number of people from employment equity target groups employed per post level in compliance with a municipality's approved employment equity plan is indicated in the following table:-

**Employment Equity Profile**

Post Level	2008/09								2009/10							
	Male				Female				Male				Female			
	B	C	I	W	B	C	I	W	B	C	I	W	B	C	I	W
0	4	0	0	1	0	0	0	0	4	0	0	1	0	0	0	0
1	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
2	7	0	0	1	2	0	0	0	6	0	0	2	2	0	0	0
3	9	1	0	7	3	1	0	1	14	0	0	7	5	1	0	1
4	5	0	0	3	1	0	0	2	5	0	1	2	2	0	0	3
5	12	3	0	10	9	0	0	4	16	2	0	10	9	0	0	6
6	28	3	0	5	16	1	0	3	15	2	0	12	15	1	0	5
7	27	0	0	4	7	0	0	3	22	1	0	17	7	0	0	5
8	27	1	0	9	14	0	0	3	23	3	1	13	17	2	0	7
9	57	2	0	4	18	0	1	5	46	8	0	20	19	1	0	10
10	35	4	0	10	17	3	0	11	45	2	1	6	38	7	1	15



11	32	2	1	12	50	4	2	8	48	5	0	4	50	6	1	12
12	33	5	0	10	20	1	0	6	75	7	0	12	26	1	0	4
13	70	3	0	9	32	2	0	15	32	2	9	0	29	4	1	8
14	23	5	1	10	15	3	0	12	31	1	0	1	33	2	1	6
15	83	7	0	12	46	5	0	7	87	3	1	1	22	5	0	3
16	80	2	0	0	9	2	0	0	58	0	0	3	13	0	0	0
17	110	0	0	0	4	0	0	0	134	3	1	0	4	0	0	0
18	57	6	0	0	19	0	0	0	11	0	0	0	10	1	0	0
19	548	12	0	7	142	2	0	0	650	6	0	5	183	2	0	3
Total	1249	48	2	114	425	24	3	80	1322	45	5	125	484	33	4	88
Grand Total	1945								2106							

### 1. SKILLS INFORMATION

The municipality is held accountable in respect of the National Key Performance Indicators for the implementation of the Workplace Skills Plan.

The following training statistics have been provided in the various occupation categories to improve skills development:-

Occupational Categories	Post Levels	Male				Female				TOTAL
		Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	0-3	124	14	0	17	71	8	0	6	<b>240</b>
Professionals	4-6	66	0	0	6	30	0	0	5	<b>107</b>
Technicians & associate professions	7-9	0	0	0	0	0	0	0	0	<b>0</b>
Clerks	10	10	7	0	3	10	2	0	9	<b>41</b>
Service and sales workers	10	0	0	0	0	0	0	0	0	<b>0</b>
Skilled agricultural and fishery workers	10	0	0	0	0	0	0	0	0	<b>0</b>
Craft and related trades workers	11-12	26	3	0	9	11	4	0	6	<b>59</b>
Plant and machine operators & assemblers	13-15	56	19	0	8	34	5	0	4	<b>126</b>
Elementary occupations	16-19	22	14	0	0	8	9	0	0	<b>52</b>
<b>TOTAL</b>		<b>304</b>	<b>57</b>	<b>0</b>	<b>43</b>	<b>93</b>	<b>28</b>	<b>0</b>	<b>30</b>	<b>555</b>

The following table indicate Council's actual training expenditure and levies paid, as well as monies received from SETA for the past three Financial Years:-

NATIONAL KEY PERFORMANCE INDICATOR	PRIORITY AREA	2007/08 (R)	2008/09 (R)	2009/10 (R)
The percentage of the municipality's budget actually spent on implementing its workplace skills plan.	Expenditure & Levies	2,256,266.58 0.30%	2,631,751.18 109.49%	2,969,419 112.41%
	SETA	682,784.24 0.07%	993,138.23 99.31%	714,471 67.79%

### 1. TOTAL PERSONNEL EXPENDITURE TRENDS IN THE LAST FOUR YEARS

The following table reflects the total personnel expenditure trends from 2006/07 to 2009/10:-

FINANCIAL YEAR	R	% OF TOTAL BUDGET
2006/07	206,210,619	27.58%
2007/08	225,995,000	27.00%
2008/09	258,518,499	25.70%
2009/10	295,042,608	24.96%

### 2. PENSION AND MEDICAL AID FUNDS

#### Pension Fund

The composition of membership for pension and provident fund was as follows:-

PENSION FUND	NUMBER OF MEMBERS
Municipal Gratuity Fund	1,240
National Fund for Municipal Workers	230
Group Fund for Municipal Workers	229
Joint Municipal Pension fund	43
Sala Pension Fund	113
Municipal Councillors Pension Fund	47
Municipal Employees Pension Fund	371
Meshawu Pension fund	5
Samwu Pension Fund	53
<b>Total</b>	<b>2,331</b>

The Council's budget for the 2009/10 Financial Year towards the employers' contribution to pension and provident funds was **R46,060,060.**

#### Medical Aid Funds

The medical aid funds are accredited by the South African Local Government Bargaining Council (SALGBC). The Council's budget for the 2009/10 Financial Year towards the employers' contribution to medical aid funds was **R R22,492,610.**

Membership of the medical aid funds were as follows:-

MEDICAL AID FUND	NUMBER OF MEMBERS	EMPLOYER'S CONTRIBUTION
KeyHealth	202	4,776,420
Hosmed	104	1,821,365
Bonitas	287	4,055,676
LA Health	113	824,952
Samwu Med	404	3,614,481
<b>Total</b>	<b>1,110</b>	<b>15,092,894</b>

### 1. OUTSTANDING MONIES

MFMA Circular 11 requires that municipalities disclose arrears (outstanding monies) by councillors / staff / directors for the financial year.

Outstanding monies owed to the municipality by employees are as follows:

ACCOUNTS IN ARREAR AS AT PRESENT	ARREARS JUN-08	ARREARS JUN-09	ARREARS JUN-10
	(R)	(R)	(R)
Councillors	2,288	18,844	13,945
Employees	491,428	174,433	318,784

### 2. DISCLOSURE CONCERNING EXECUTIVE COUNCILLORS AND DIRECTORS

The following table reflects the remuneration for Executive Councillors and directors:-

DESIGNATION	REMUNERATION (PACKAGE)
Executive Mayor	610,535
Speaker	478,140
Chief Whip	449,306
MMC's	449,306
Municipal Manager	1,029,338
Director Corporate Governance	814,927
Director Economic Growth	761,614
Director Municipal & Social Services	825,082
Director Infrastructure & Utilities	825,082
Manager Support Services	571,210

The position of Chief Financial Officer is currently vacant.

# Chapter 4

## Audited Statements and related Financial Information







## AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE CITY OF MATLOSANA



*Auditing to build public confidence*

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I was engaged to audit the accompanying financial statements of the City of Matlosana, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 57 to 104

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Basis for disclaimer of opinion

##### Property, plant and equipment

4. I was unable to verify the existence, valuation and allocation, rights and obligations and completeness of infrastructure assets included in property, plant and equipment, stated at R2 145 601 692 (2009: R2 154 189 217) in the statement of financial position. Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment* requires that each part of an item of property, plant and equipment should be recognised separately. The municipality has not yet completed its process to adhere to this requirement. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these infrastructure assets.
5. I was unable to verify the existence, valuation and allocation, rights and obligations, and completeness of land and buildings and community assets included in property, plant and equipment, stated at R211 597 190 and R55 886 945, respectively (2009: R135 161 240 and R52 899 185) in the statement of financial position. Sufficient appropriate audit evidence I considered necessary to verify these balances was not provided. The municipality's records

did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these land and buildings and community assets.

6. Standard of Generally Recognised Accounting Practice, GRAP 17, Property, plant and equipment requires that an item that meets the definition of property, plant and equipment should be recognised on acquisition and that after recognition as an asset, the asset should be carried at cost less accumulated depreciation and impairment losses. Contrary to these requirements the municipality has expensed assets with a cost price of R15 252 049. The municipality's records did not permit the application of alternative audit procedures and consequently I was unable to determine the impact of the expensed assets on the depreciation and amortisation expense in the statement of financial performance as well as the carrying amount of the property, plant and equipment balance in the statement of financial position.
7. Standard of Generally Recognised Accounting Practice, GRAP 17, Property, plant and equipment requires that the repairs and maintenance of an asset should be recognised as expenditure. Contrary to this, the municipality capitalised repairs and maintenance costs of R12 773 515 as property, plant and equipment. Property, plant and equipment are consequently overstated by R12 773 515 and repairs and maintenance expense understated by the same amount.
8. I was unable to verify the existence of assets of R39 364 357 included in other property, plant and equipment stated at R94 532 912 in the statement of financial position. The municipality's records did not contain sufficient information as to the location to verify the existence of these assets.
9. The municipality did not review the residual values and useful lives of property, plant and equipment annually in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, Property, plant and equipment. This is evidenced by assets with a cost of R165 060 938 being included in the financial statements at a zero net carrying amount while still being in use. I was unable to confirm or verify by alternative means the value of assets stated in the statement of financial position at R2 509 104 550 (2009: R2 416 728 915) or the depreciation and amortisation expense included in the statement of financial performance at R152 965 736 (2009: R62 775 068). Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of infrastructure assets or to the accuracy, occurrence and completeness of the depreciation and amortisation expense.

### Investment property

10. Standard of Generally Recognised Accounting Practice, GRAP 16, *Investment property*, requires property held for capital appreciation to earn rentals or land held for a currently undetermined use to be recognised as investment property. I was unable to verify the existence, valuation and allocation, rights and obligations, and completeness of investment property stated at R5 403 557 (2009: R5 403 557) in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations, and completeness of these investment properties.

### Trade and other receivables and consumer debtors

11. I was unable to determine whether the municipality used objective evidence to calculate the amount of the provision for impairment of receivables stated at R89 582 181 (2009: R84 684 421) disclosed in note 7 and R635 591 802 (2009: R500 348 380) disclosed in note 8 to the financial statements, as required by the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial Instruments Recognition and Measurement*. There is also an unexplained difference of R13 959 022 between the movement of the provision for impairment of receivables balance and the debt impairment expense of R154 100 204 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding the calculation of provision for impairment of receivables. Consequently, I

did not obtain all the information and explanations I considered necessary to satisfy myself as to the valuation of provision for impairment of receivable.

12. I was unable to agree the housing rental receivables of R17 917 800 disclosed in note 7 to the financial statements with the actual rental agreements, due to limitations placed on the scope of my work by the municipality. The municipality's records did not permit the application of alternative audit procedures regarding housing rental receivables. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, rights and obligations, completeness, valuation and allocation of the housing rental receivable balance.
13. Included in consumer debtors of R166 486 940 disclosed in note 8 to the financial statements, is a balance of R100 227 630 which relates to consumer debtors that entered into an arrangement agreement with the municipality to repay debts over a period without levying any interest on the outstanding amount. This amount was, however, not valued at amortised cost as required by South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial Instruments Recognition and Measurement*, resulting in consumer debtors being overstated by R14 800 920 and the deficit for the year being understated by R14 800 920.
14. The municipality could not provide sufficient appropriate audit evidence to substantiate sundry debtors and consumer debtors of R27 406 018 (2009: R142 227 177) included in trade and other receivables of R58 961 138 and consumer debtors of R166 486 940, respectively, as stated in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding these consumer and sundry debtors. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these sundry debtors and consumer debtors.

#### **Other receivables**

15. As reported in the prior year, my opinion on the corresponding figure of R12 058 757 for other receivables stated in the statement of financial position was modified. Sufficient appropriate audit evidence was not available to substantiate an amount of R11 646 562 included in this balance. The municipality's records did not permit the application of alternative audit procedures regarding the existence, valuation and allocation, rights and obligations and completeness of this amount included in the corresponding figure.
16. The non-current portion of the other receivable balance stated at R293 462 in the financial statements, is not complete. This balance was reduced by R19 283 447 written off as bad debt subsequent to year-end. Consequently, the other receivables balance is understated by R19 283 447. Had the bad debt written off not been recognised, the surplus for the period would have increased by R19 283 447.

#### **Cash and cash equivalents**

17. Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements* defines cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Included as other financial assets in the statement of financial position are call accounts of R73 181 026 (2009: R82 382 668) held by the municipality, which should have been disclosed as cash and cash equivalents. Consequently, other financial assets are overstated and cash and cash equivalents understated by R73 181 026 (2009: R82 382 668).

#### **Trade and other payables**

18. The municipality could not provide sufficient appropriate audit evidence to substantiate trade and other payables of R21 466 296 included in the balance of R78 776 376 stated in the statement of financial position. The municipality was unable to identify and list the suppliers to whom these

amounts are owed. The municipality's records did not permit the application of alternative audit procedures regarding these trade and other payables. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these trade and other payables.

19. The municipality could not provide sufficient appropriate audit evidence to substantiate the balance for retentions of R18 815 797 included in trade and other payables stated at R78 776 376 in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding retentions on capital projects. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these retentions included in trade and other payables.

### Provisions

20. I was unable to recalculate the leave provision stated at R19 080 803 (2009: R12 386 167) in the statement of financial position, due to inaccurate and incomplete leave records used in the calculation of the provision. The entity's records did not permit the application of alternative audit procedures regarding the leave provision. Consequently, I did not obtain all the information I considered necessary to satisfy myself as to the valuation and allocation of this staff leave provision.
21. The Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* requires that a provision be recognised when an entity has a present obligation for an outflow of economic resources that can be reliably estimated. The municipality failed to recognise provisions for the restoration of the landfill sites, performance bonuses, post-retirement medical aid benefits and long-service awards. I was unable to determine the extent of these provisions due to limitations placed on the scope of my work by the municipality. The municipality's records did not permit the application of alternative audit procedures regarding these provisions. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of provisions. I could not determine the effect of this limitation on the other account balances or classes of transactions contained in the financial statements.

### Consumer deposits

22. The municipality could not provide sufficient appropriate audit evidence to substantiate consumer deposits of R14 918 885 included in the balance of R20 653 394 stated in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures regarding these deposits. Consequently, I was unable to satisfy myself as to the existence, rights, valuation and allocation of these consumer deposits.

### Unspent conditional grants and receipts

23. I was unable to obtain sufficient appropriate audit evidence for a debit balance of R11 123 608 in respect of provincial health subsidies included in the unspent conditional grants and receipts balance of R48 797 645 stated in the statement of financial position. Unspent conditional grants and receipts are therefore understated by R11 123 608 (2009: R5 774 453) while revenue is overstated by R5 349 155 (2009: R5 774 453).
24. The municipality could not provide sufficient appropriate audit evidence to support a difference of R12 479 631 (2009: R9 842 906) between recognised revenue (conditions met) of R80 168 301 and expenditure of R67 688 670 in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to valuation, rights and obligations, existence and completeness of unspent conditional grants and receipts stated at R48 797 645 (2009: R43 430 016) in the statement of financial position.



## Revenue

25. During the financial year, the municipality introduced a minimum property rates rate of R100 on all residential properties and R50 on properties owned by indigents. This is in contravention of section 11(3) and 17(1)(h) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004), which prohibits rates to be charged on the first R15 000 of the market value of properties and limits the rate to be charged to a prescribed percentage of the market value of the property. Consequently, revenue, consumer debtors and the net surplus are overstated by R60 038 860.
26. Included in property rates revenue stated at R222 191 171 in the statement of financial performance is an amount of R30 081 696, representing rebates on property rates. This amount does not meet the definition of revenue as defined by the Standard of Generally Recognised Accounting Practice, GAMAP 9, *Revenue*. Revenue and expenditure are therefore overstated by R30 081 696.
27. Revenue from service charges does not include revenue from water and electricity consumed during the period from the last meter reading to 30 June 2010 (R33 855 526) but incorrectly includes sales for the similar period relating to the prior year (R22 166 779). Standard of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements*, requires revenue to be recognised when it accrues to the municipality. Revenue and consumer debtors are therefore understated by R11 688 748.
28. Included in general expenditure stated at R362 524 870 in the statement of financial performance is an amount of R67 204 819 relating to the provision of free basic services to consumers within the municipality. This amount does not meet the definition of an expense and consequently both revenue and expenditure are overstated by R67 204 819.
29. Revenue from the sale of stands of R38 056 223 was not recognised as revenue in the statement of financial performance as required by the Standard of Generally Recognised Accounting Practice, GRAP 9, *Revenue from Exchange Transactions*. Revenue, receivables and the VAT payables are therefore understated by R38 056 223, R43 384 094 and R5 327 871 respectively.
30. I was unable to obtain sufficient appropriate audit evidence to substantiate revenue of R132 336 284 included in other income of R176 515 165 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding these revenue transactions. Consequently, I was unable to satisfy myself as to the occurrence, accuracy and classification of this amount.

## Expenditure

31. Included in general expenditure stated at R362 524 870 in the statement of financial performance is an amount of R38 862 469 which relates to payments made to certain parties where the municipality is responsible for the collection of licence fees on their behalf. These payments do not meet the definition of an expense and consequently both expenditure and revenue are overstated by R38 862 469.
32. I was unable to obtain sufficient appropriate audit evidence for expenditure of R82 691 092 included in general expenditure of R362 524 870 stated in the statement of financial performance. The municipality's records did not permit the application of alternative audit procedures regarding the occurrence, accuracy, classification, cut-off and completeness of this expenditure.

## Reserves

33. The accumulated surplus opening balance of R2 446 242 455 stated in the statement of financial position, does not agree with the balance of R2 500 379 986 as per the statement of changes in net assets. Management could not provide sufficient appropriate audit evidence or explanation for



the difference of R54 137 531. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to valuation, rights and obligations, existence and completeness of the accumulated surplus. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

34. The accumulated surplus opening balance has been restated as a result of changes in accounting policy and correction of errors, from R405 849 716 (the closing balance as per the prior year audited financial statements) to R2 446 242 455 (the opening balance as per the statement of financial position). Standard of Generally Recognised Accounting Practice, GRAP 3, *Accounting policies, changes in accounting estimates and errors* requires disclosure of the impact of these changes. These disclosures were, however, not included in the financial statements of the municipality. I could not determine the effect of the changes on the other account balances or classes of transactions contained in the financial statements.

### Contingent liabilities and assets

35. Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* requires the municipality to disclose any events not wholly in the control of the municipality and that give rise to the possibility of an inflow of economic benefits. Legal claims of R396 038 027 instituted against contractors for possible negligence, were not disclosed as contingent assets in note 33 to the financial statements.

### Capital commitments

36. There was no contract management system in place for the identification of commitments and there were no alternative audit procedures that I could perform to obtain reasonable assurance that all capital commitments were properly disclosed. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of capital commitments of R53 119 409 disclosed in note 32 to the financial statements.

### Related party disclosures

37. International Public Sector Accounting Standard, IPSAS 20, *Related party disclosures* requires disclosure of transactions with related parties. Disclosed in note 34 to the financial statements are amounts of R3 739 321 for councillor I Bondes and R3 456 482 for councillor MC Dithejane. The total payments made to the suppliers where these councillors had interests as per the municipality's records were, however, R4 311 155 and R7 867 210, respectively, resulting in the amounts disclosed in note 34 to be understated by R571 834 and R4 410 728, respectively. Furthermore, the corresponding figure of R3 902 988 as disclosed in the prior year, was omitted in the current year's disclosure.

### Irregular expenditure

38. Section 125 of the MFMA requires disclosure of material irregular expenditure. Municipal Supply Chain Management Regulation 44 prohibits the municipality from making awards to persons in the service of the state. The municipality made awards of R7 961 710 to suppliers where councillors or officials of the municipality held interests. This amount was not disclosed in the notes to the financial statements.
39. I was unable to obtain sufficient appropriate audit evidence for awards of R105 442 915 made in terms of the municipality's supply chain management policy. The municipality's records did not permit application of alternative procedures. Furthermore, it was impracticable to quantify the resulting misstatement. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that all material irregular expenditure has been disclosed in the notes to the financial statements.

### Unauthorised expenditure

40. Section 125 of the MFMA requires disclosure of material unauthorised expenditure. The definition of unauthorised expenditure as per section 2 of the MFMA includes the overspending of the total amount appropriated for a vote in the approved budget. "Vote" means one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality and "overspending" in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote. According to the municipality's records, unauthorised expenditure of R324 708 853 was incurred during the year as a result of overspending on individual votes. This unauthorised expenditure was, however, not disclosed in the notes to the financial statements.

### Cash flow statement

41. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities are required by Standard of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements*. This standard requires that "an entity shall report cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed." The cash flow statement was not prepared using the direct method as required by the standard. Sufficient appropriate audit evidence was also not provided for amounts included in the cash flow statement. The municipality's records did not permit the application of alternative audit procedures regarding the occurrence, rights and obligations, completeness, classification and understandability and accuracy and valuation of these cash flows disclosed.

### Financial instruments

42. Financial instruments disclosure as required by the South Africa Statement of Generally Accepted Accounting Practice, IFRS 7, *Financial instruments disclosure* and IAS 32 (AC 132), *Financial instruments presentation* have not been included in the financial statements. I was unable to quantify the impact of the non-compliance so as to determine whether it is material to the financial statements. However, given the materiality of the financial assets and liabilities, this non-disclosure may have a material impact on the financial statements as a whole.

### Disclaimer of opinion

43. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

### Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

### Unaudited supplementary schedules

44. The supplementary information set out on pages 105 to 113 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

45. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and their regulations and financial management (internal control):

- MFMA
- DoRA

- Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)
- Municipal Structures Act of South Africa, 1998 (Act No.117 of 1998)

### **Predetermined objectives**

46 . Material findings on the report on predetermined objectives, as set out on pages 7 to 38 and 117 to 148 are reported below:

### **Non-compliance with regulatory and reporting requirements**

#### Inadequate content of integrated development plan

47. The integrated development plan of the City of Matlosana did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
48. The key performance indicators set by the City of Matlosana did not include any general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1) of the MSA.

#### Functioning of the audit committee

49. The audit committee:
  - contrary to section 45 of the MSA, only reviewed the first quarterly report during the year
  - contrary to section 45 of the MSA and section 166(2) only submitted an internal audit report to the council regarding the performance management system for the second period of the financial year.

#### Functioning of the internal audit unit

50. Contrary to section 45(a) of the MSA, the internal auditors did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the audit committee.

### **Usefulness of reported performance information**

51. The following criteria were used to assess the usefulness of the planned and reported performance:
  - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
  - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
  - Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

#### Reported information not consistent with planned objectives, indicators and targets

52. The City of Matlosana has not reported throughout on its performance against predetermined objectives, indicators and targets which is consistent with the approved integrated development plan.

Planned and reported indicators and targets not well defined

53. For the selected objectives, 100% of MIG grants IDP projects, the planned and reported indicators and targets were not clear and well defined to allow for data to be collected and measured consistently.

Planned and reported performance targets not specific and measurable

54. For the selected objectives, 100% of MIG grants IDP projects, the planned and reported targets were not:
- specific in clearly identifying the nature and the required level of performance
  - measurable in identifying the required performance.

**Compliance with laws and regulations****Municipal Finance Management Act, 2003**Expenditure was incurred in contravention of, or not in accordance with, applicable legislation resulting in irregular expenditure

55. Expenditure was not incurred in accordance with the requirements of the supply chain management policy of the municipality as set out in the definition of “irregular expenditure” as set out in section 1(d).

Expenditure was incurred otherwise than in accordance with sections 11(3) and 15 of the MFMA resulting in unauthorised expenditure

56. Expenditure was not incurred in accordance with the approved budget of the municipality and exceeded the limits of the amounts appropriated for the different votes in the approved budget of the municipality as required by section 15.

Transfer and disposal of assets were not made in compliance with the applicable legislation

57. Disposal of capital assets by the municipality was not at fair market value of the asset as required by section 14.

Supply chain management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

58. Contrary to section 62(1)(b), proper record keeping and management were not in place, resulting in requested information not being available or supplied with a significant delay.

Expenditure was not paid within the parameters set by the applicable legislation

59. Expenditure was not paid within the required 30 days from the receipt of an invoice as required by section 65(2)(e).

The internal audit unit was not properly established or not functioning properly

60. The municipality's internal audit unit was not functioning properly during the year under review as required by section 165 as the section was not properly staffed for the majority of the year.

The audit committee was not properly established or not functioning properly

61. The audit committee did not adequately discharge its mandate during the year under review as required by section 166.

## Municipal Supply Chain Management Regulations

Supply chain management legislative requirements were not implemented or not adhered to (not resulting in irregular expenditure)

62. Allegations of corruption, misconduct or failure to comply with the SCM system were not investigated within a reasonable time as required by regulation 38(1)(b).
63. No risk assessment was performed for the identification, consideration and avoidance of potential risks in the SCM system as required by regulation 41(2).

## Internal control

- 64 . I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and DoRA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- 65 . The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

Management's philosophy and operating style does not promote effective control over reporting. The accounting officer does not exercise oversight over reporting and compliance with laws and regulations and internal control. An effective organisational structure for placing appropriately skilled people is not in place, as a high vacancy rate at senior management level still exists at the municipality.

- **Financial and performance management**

There were insufficient implemented controls to ensure that information in the financial statements and the report on predetermined objectives was reliable. This includes key reconciliations and development of appropriate accounting policies to ensure that all disclosures required by the accounting framework are included.

- **Governance**

The council failed to implement good governance principles within the municipality. These include a formal risk assessment process, development and implementation of a risk management policy and fraud prevention plan and an effective internal audit unit. This failure is also underlined by the recent resignation of the audit committee.

*Auditor-General*  
Rustenburg

30 November 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Management Response to issues raised in the Audit Report





### **MANAGEMENT RESPONSE AND CORRECTIVE ACTIONS TAKEN OR TO BE TAKEN TO ISSUES RAISED IN THE 2009/2010 AUDIT REPORT**

Management has noted with utmost concern the Audit Report and Management Report issued by the Auditor General on 30 November 2010. Although Management is aware of the deficiencies noted in the reports, and have been implementing various strategies and corrective actions, the fact that a clean audit has yet to be achieved, remains a major challenge for the Municipality.

Since the previous [08/09] Audit, Management has embarked on "Operation Clean Audit" to ensure that the objective of a clean audit report is achieved well in advance of the Government's deadline of 2014. In this regard considerable work has been done and progress made, which result in more tangible results in the near future. The efforts to date will be increased and more vigorous management focus directed towards corrective actions. To this end the Executive Mayor and members of the Mayoral Committee have been briefed and indicated their support of the proposed corrective actions.

Issues raised by the Auditor General have been analysed and classified according to the nature and extent of the causes of the problem. Issues that can be resolved in the ordinary course of business have been allocated to the responsible officials. Issues of a more complex nature that relate to organisational or systems deficiencies will be allocated to multi functional project teams to ensure a proper solution is implemented. These corrective measures will take longer to implement, but will result in sustainable improvement.

A high level overview of the issues raised by the Auditor General on the 2009 / 2010 Annual Financial Statements [AFS] and the related corrective actions is presented in the table below:

<b><u>Audit Issue</u></b>	<b><u>Audit Report</u></b>	<b><u>Management Report</u></b>	<b><u>Corrective Action</u></b>
Misstatements of amounts in the AFS	Paragraph 4 - 34	Paragraph 8 - 10	Investigate and correct per recommendations. Implement preventive controls as appropriate
Disclosures in the AFS [Contingent Assets & Liabilities, Related Parties, Capital Commitments]	Paragraph 35 - 36		Improve systems and processes to ensure completeness and accuracy of information
Irregular & Unauthorised expenditure	Paragraph 37 – 40 / 55 - 63	Paragraph 42 - 53	Investigate and follow up reported items. Improve SCM processes and capacity to ensure full compliance with MFMA.
GRAP Compliant financial reporting / disclosures	Paragraph 41 – 42		GRAP training for staff. Improved supervision and better utilisation of financial reporting systems
Non-compliance with regulatory and reporting requirements	Paragraph 47 – 54		Correct IDP / Performance Information as recommended. Audit Committee has been appointed, as well as Internal Audit Department
Internal control	Paragraph 64 – 65	Paragraph 29 & 37– 41 / 55 - 64	Implement governance and control structures as recommended. Fill vacancies of key positions to improve management and supervision

Correction / follow up of prior year audit issues		Paragraph 71 - 72	Corrective action as presented to PPAC and Oversight Committee will continue until all issues are properly resolved
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Management have adopted the following strategies to ensure corrective actions are implemented and sustained;

- Weekly meetings of the Project Steering Committee for Operation Clean Audit to obtain feedback and monitor progress.
- Appointment of Project Teams to deal with complex cross functional issues and organisational deficiencies
- Engage the Auditor General on an ongoing basis to provide guidance on appropriateness of corrective actions
- Use of consultants to bridge gaps in terms of skills and capacity
- Council to afford administration more time to deal with audit issues. Council meetings to be held quarterly in order to assist the process.
- More training and capacitating of finance department.
- Appointment of Chief Financial Officer and other high management positions.
- Review current financial systems in use in order to meet GRAP requirements with ease.
- The deadline in investigating the corrective actions for all queries is 31 March 2011; in order to enable corrections by 30 June 2011.

# Financial Statements









**City of  
Matlosana**

**City of Matlosana**

**Annual Financial Statements  
for the year ended 30 June 2010**

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### General Information

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<b>Legal form of entity</b>	Municipality
<b>Mayoral committee</b>	
Executive Mayor	O.M. Mogale ( Chairperson )
Councillors	Clr G.L. Sebuasengwe Clr M.J. Mapane Clr K.G. Tladi Clr N.E. Ngalo Clr P.R. Moleme Clr R.A. Marumole Clr P. Seduku Clr J. Douw Clr L.M. Kortjas Clr P. Moeng
<b>Accounting Officer</b>	S.G. Mabuda ( Acting )
<b>Chief Finance Officer (CFO)</b>	R.T. Makgale ( Acting )
<b>Business address</b>	Bram Fischer Street Klerksdorp 2571
<b>Postal address</b>	P.O. Box 99 Klerksdorp 2570
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

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MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Declaration of the accounting officer

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I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
**ACTING MUNICIPAL MANAGER**

S.G. Mabuda

**31 August 2010**  
Date

#### REGISTERED OFFICE:

Bram Fischer Street  
KLERKSDORP  
2570

P O Box 99  
KLERKSDORP  
2570

Telephone no. (018) 487 8000  
Fax (018) 464 2318

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Financial report

I have pleasure in presenting my financial report together with the Annual Financial Statements, which are still subject to audit, for the year ended 30 June 2010.

#### 1. INTRODUCTION

As the Finance Unit we continue striving for our vision to implement and practice sound financial management in a prudent way to achieve a long-term financial stability for the City of Matlosana. This is a difficult and complex task as indicated by our mission statement that require us to provide financial planning, accounting, financial reporting, budgeting, revenue and debt collection management, expenditure management, cash and investment management, capital projects financing, fixed assets accounting, risk management, financial information and support services to other departments and general public with courtesy, integrity and accountability.

The Integrated Development Plan (IDP) of the City of Matlosana has financial stability as one of the six strategic pillars. This important focus area also has numerous objectives and performance indicators for prudent financial management and viability, as well as the strategies to achieve them. Although confronted with numerous challenges in this environment, we continued to make progress during the year under review.

Ongoing strategies to improve financial management include; budget reform, the implementation of improved asset registers which and generally bringing accounting systems in line with General Accepted Accounting Practices (GAAP), relevant standards of General Recognized Accounting Practices (GRAP) as well as applicable International Financial Reporting Standards (IFRS). Considerable progress has been made during the year with these complex matters.

During the past financial year and going forward we remain committed to the following basic principles that will contribute to achievement of financial stability for the City of Matlosana.

- To manage financial matters effectively
- Ensure client orientation and customer focus
- Implement an Anti-corruption strategy in terms of national strategy for the municipality
- Develop financial management policies and by-laws
- Ensure that revenue is maximally collected and debtors accounts are effectively managed
- Report and assist with managing the effective usage of bulk electricity purchases by council
- Reduce the number of disclaimer items in audit reports
- Tabling of Budget and Adjustment Budget before council for approval on time, as well as the Medium Term Income and Expenditure Framework [MTEF]
- Submit reports to the relevant regulatory and governance offices on time
- Report and assist with managing capital expenditure on projects as identified for IDP strategies
- Ensure key financial ratios of the Municipality are at expected levels and improving

The main objective of our Municipality however remains the effective service delivery to our constituents for which we must demonstrate good performance and continuous improvement in key areas of delivery as well as stewardship of all the assets entrusted to us.

#### 2. PERFORMANCE

We have once again managed to increase our Revenue substantially by 18 % from R 1 171,8 m to R 1 384,6 m. However at the same time our operating cost increased significantly by 27% from R 1 109,9 m to R 1 412 m in the current year. The major contributors to the increase in operating costs are;

- Employee cost which increased by R43, 4m [17% yr/yr]
- An increase of R28, 9m in the bad debt provision [23% yr/yr]
- Repairs and Maintenance increased by R6.2(m) [13% yr/yr]
- Bulk electricity purchases that increased by R57, 2(m) [36% yr/yr] and;
- As a result of revaluing our infrastructure assets [see below], depreciation increased by R 90,2m [164% yr/yr]

During the year under review we revalued our infra-structure assets as is required for GRAP 17. We have also managed to account for the assets that were taken over in terms of the Ministerial determination per Government Gazette 25076, dated 13 June 2003. These transactions were implemented retrospectively for the 2008 2009 financial year. This resulted in a considerable revaluation surplus of R1 540, 9 (m). As a result the carrying value of our infrastructure assets increased from R613, 3(m) to a restated value of R2 154, 2(m) at 30 June 2009.

Further revaluations were made during the current financial year in to ensure that our assets are reflected at fair value as is required for GRAP 17. To this end we have adjusted the value of our portfolio of land and buildings with R62 (m).

Although a deficit is reported in our Statement of Performance, cash flow from operating activities increased from R 78, 6(m) to R 159, 3(m) during the current year. Our working capital position remains sound with our liquidity ratio at 1.3 (2009: 1.8) and in this regard the municipality will continue to manage its working capital in a prudent manner.

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Financial report

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#### 3. PERFORMANCE AGAINST BUDGET

The original budget for the year was approved during May 2009. During the reporting period an adjustment budget was presented and approved by Council. The 2009/10-budget provided for additional resources allocated towards the improvement of service delivery. Information on the original budget as well as the adjusted budget is included in this report as Appendix E.

We continue to improve our efforts to manage performance against budget and regard this as one of our key performance areas.

Our actual performance relative to the budget is still impacted by the effects of the recession and scale down of activity by some of the mines in our region. We are also seeing the effects of increased electricity tariffs and other cost increases on our financial performance.

#### 4. STEWARDSHIP OVER ASSETS

During the year we have invested another R121, 3(m) in new infrastructure and other assets. This is supplemented with increased expenditure on maintenance of our assets. Our focus will continue to be to improve the infrastructure and facilities available for the residents of Matlosana. The challenges in this regard remain huge with many demands being made for the limited resources at our disposal and therefore we will continue to exercise prudent judgement when determining priorities for expenditure. Our goals and objectives in this regard are well documented in the Integrated Development Plan (IDP), which will continue to form the basis for future capital expenditure projects.

#### 5. COMPLIANCE WITH LEGISLATION

The main pieces of legislation, being the Municipal Finance Management Act (MFMA) and Public Finance Management Act (PFMA) that controls financial management and accountability. We continue to make progress at Matlosana with the implementation of these Acts, as well as other directives and guidelines from regulatory authorities.

A continued effort is being made to ensure full compliance with all relevant legislation, including regulations for example those issued by National Treasury. To this end we have strengthened our internal audit capacity to identify areas of possible non-compliance make recommendations on corrective or preventive actions.

#### 6. AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The statutory audit of the financial statements has already commenced and is expected to be completed by the end of October 2010. In the past we have faced exceptional challenges resulting in a disclaimer of audit opinion by the Auditor General. A concerted effort has been made during the year to address the issues identified by the Auditor General in his report. These efforts will continue and will eventually strengthen our financial management practices and overall viability as a municipality. It is our aim to have an unqualified audit report before the target date of 2014.

#### 7. GOING CONCERN

The financial position of the City has again improved since the previous year and although outstanding debtors are still a problem, it is managed so that the financial sustainability is not affected negatively. The accumulated provision for bad debts is sufficient to cover for possible bad debts, but the non-payment of services is hampering service delivery and construction of new infrastructure.

Notwithstanding the non-payment Matlosana can still be seen as a going concern and will also be a going concern for the foreseeable future.

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Financial report

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#### 8. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Mayoral Committee, Municipal Manager, Councillors and Departmental Directors for the support they have given to the department during the 2009/2010 financial year. A special word of appreciation is extended to the finance team for dedication to succeed in producing the Annual Financial Statements on time and in terms of the relevant accounting standards.



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R.T. Makgale  
ACTING CHIEF FINANCIAL OFFICER  
31 August 2010



## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>Assets</b>			
Current Assets			
Inventories	6	31 768 714	37 119 725
Other financial assets	4	73 181 026	82 382 668
Trade and other receivables	7	58 961 138	57 542 756
Consumer debtors	8	166 486 940	125 196 672
Other receivables	5	-	7 517 817
Cash and cash equivalents	9	2 394 287	2 434 568
		<b>332 792 105</b>	<b>312 194 206</b>
Non-Current Assets			
Investment property	2	5 403 557	5 403 557
Property, plant and equipment	3	2 509 104 550	2 416 728 915
Other financial assets	4	17 417 304	8 585 316
Other receivables	5	293 462	12 058 757
		<b>2 532 218 873</b>	<b>2 442 776 545</b>
<b>Total Assets</b>		<b>2 865 010 978</b>	<b>2 754 970 751</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	11	11 478 432	10 280 039
Trade and other payables from exchange transactions	15	78 776 376	47 091 474
VAT payable	16	31 045 806	16 443 511
Provisions	13	19 080 803	12 386 167
Consumer deposits	14	20 653 394	18 982 787
Bank overdraft	9	31 376 461	9 321 738
		<b>192 411 272</b>	<b>114 505 716</b>
Non-Current Liabilities			
Other financial liabilities	11	132 964 151	145 666 636
Unspent conditional grants and receipts	12	48 797 645	43 430 016
		<b>181 761 796</b>	<b>189 096 652</b>
<b>Total Liabilities</b>		<b>374 173 068</b>	<b>303 602 368</b>
<b>Net Assets</b>		<b>2 490 837 910</b>	<b>2 451 368 383</b>
<b>Net Assets</b>			
Reserves			
Housing development fund	10	5 125 928	5 125 928
Accumulated surplus		2 485 711 982	2 446 242 455
<b>Total Net Assets</b>		<b>2 490 837 910</b>	<b>2 451 368 383</b>



## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	17	1 149 918 301	1 000 967 557
Other income		176 515 165	102 021 387
Operating expenses		(1 383 954 674)	(1 095 934 240)
<b>Operating (deficit) surplus</b>		<b>(57 521 208)</b>	<b>7 054 704</b>
Investment revenue	26	58 211 164	68 796 612
Finance costs	28	(15 357 960)	(16 330 417)
<b>(Deficit) surplus for the year</b>		<b>(14 668 004)</b>	<b>59 520 899</b>

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Statement of Changes in Net Assets

	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand			
<b>Balance at 01 July 2008</b>	<b>5 125 928</b>	<b>868 629 437</b>	<b>873 755 365</b>
Changes in net assets			
Revaluation of property, plant and equipment	-	1 510 869 242	1 510 869 242
Previous year adjustment	-	9 525 299	9 525 299
Asset disposals	-	(2 302 422)	(2 302 422)
Net income (losses) recognised directly in net assets	-	1 518 092 119	1 518 092 119
Surplus for the year	-	59 520 899	59 520 899
Total recognised income and expenses for the year	-	1 577 613 018	1 577 613 018
Total changes	-	1 577 613 018	1 577 613 018
<b>Balance at 01 July 2009</b>	<b>5 125 928</b>	<b>2 500 379 986</b>	<b>2 505 505 914</b>
Changes in net assets			
Surplus for the year	-	(14 668 004)	(14 668 004)
Total changes	-	(14 668 004)	(14 668 004)
<b>Balance at 30 June 2010</b>	<b>5 125 928</b>	<b>2 485 711 982</b>	<b>2 490 837 910</b>
Note(s)	10		

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Cash flow statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		58 211 164	68 791 691
Dividends received		-	4 921
		58 211 164	68 796 612
<b>Payments</b>			
Finance costs		(15 357 960)	(16 330 417)
Other cash item		116 436 354	25 406 167
		101 078 394	9 075 750
<b>Net cash flows from operating activities</b>	<b>31</b>	<b>159 289 558</b>	<b>77 872 362</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(183 424 897)	(188 353 654)
Proceeds from sale of property, plant and equipment	3	-	(79 826)
(Increase)/decrease in long-term receivables		369 654	10 295 987
(Increase)/decrease in non-current investments		-	135 989 648
(Increase)/decrease of other receivables		11 504 166	-
<b>Net cash flows from investing activities</b>		<b>(171 551 077)</b>	<b>(42 147 845)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(11 504 092)	(35 035 456)
Movement in consumer deposits		1 670 607	1 051 434
<b>Net cash flows from financing activities</b>		<b>(9 833 485)</b>	<b>(33 984 022)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22 095 004)</b>	<b>1 740 495</b>
Cash and cash equivalents at the beginning of the year		(6 887 170)	(8 627 665)
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>(28 982 174)</b>	<b>(6 887 170)</b>

## City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

### Accounting Policies

#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

##### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

##### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

##### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.